

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
FAX #: (401) 222-3973

DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
REPORT ON CONTRACT COMPLIANCE  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**EXECUTIVE SUMMARY**

Management successfully implemented our recommendations included in our examination of the 1999 and 1998 contracts.

We had no significant findings to report for the fiscal years ended June 30, 2001 and 2000 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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June 14, 2002

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920


Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and South Shore Mental Health Center, Inc., for the fiscal years ended June 30, 2001 and 2000.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the director and staff members of South Shore Mental Health Center, Inc., for their cooperation and courtesies extended to us during the course of this examination.

Sincerely,

  
Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**SCOPE AND PURPOSE**

The purpose of this engagement was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable revenues used as the basis for funding fiscal years 2003 and 2002;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**BACKGROUND**

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that South Shore Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center owns and occupies administrative offices at 4705A Old Post Road, Charlestown, Rhode Island, and in addition, owns and occupies a facility housing community support programs located at 55 Cherry Lane, Wakefield, Rhode Island.

The Center is governed by a board of directors consisting of not more than 17 nor less than 9 individuals elected annually. The board is presently comprised of 12 members.



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

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Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

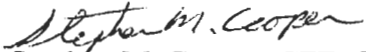
We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and South Shore Mental Health Center, Inc., (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant contracts and with the financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2001 and 2000, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within MHRH's Matching Grant and Community Support and Related Services Contracts for the fiscal years ended June 30, 2001 and 2000.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director  
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This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

  
Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
December 21, 2001



## DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 2001

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Substance Abuse	Total
<u>Revenues</u>					
MHRH	\$ 497,862	152,594	-	37,500	687,956
Elderly Initiative	-	38,000	-	-	38,000
DCYF	-	-	720,677	-	720,677
Title XIX Medicaid	3,698,392	25,965	869,233	-	4,593,590
Municipalities	-	33,346	33,347	-	66,693
Contributions & Fund Raising-Net	-	11,180	11,180	-	22,360
Third Party Reimbursements	62,406	160,528	1,067,557	-	1,290,491
Client Fees & Rent	76,928	28,003	3,473	-	108,404
Other Grants & Contracts	24,400	-	130,515	-	154,915
Investment Income	11,610	9,074	10,008	36	30,728
Miscellaneous	1,237	117	860	149	2,363
Total Revenues	\$ 4,372,835	458,807	2,846,850	37,685	7,716,177
<u>Expenses</u>					
Personnel	3,486,370	420,945	2,141,161	49,545	6,098,021
Operating	788,520	56,684	579,053	39,649	1,463,906
Purchased Equipment	135,416	7,508	54,464	1,080	198,468
Total Expenses	\$ 4,410,306	485,137	2,774,678	90,274	7,760,395
Excess (Deficiency) of Revenues over Expenses	\$ (37,471)	(26,330)	72,172	(52,589)	(44,218)

See accompanying notes to financial information.

:SP-16A

## DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 2000

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Substance Abuse	Total
<u>Revenues</u>					
MHRH	\$ 890,919	155,002	-	75,000	1,120,921
DCYF	-	-	655,008	-	655,008
Title XIX Medicaid	3,274,375	22,227	823,631	-	4,120,233
Municipalities	-	30,347	30,346	-	60,693
Contribution & Fund Raising	1,000	28,542	28,543	-	58,085
Third Party Reimbursements	125,545	136,574	930,461	-	1,192,580
Client Fees & Rent	78,385	25,656	7,182	-	111,223
Other Grants & Contracts	26,900	-	48,297	-	75,197
Investment Income	16,924	780	10,764	219	28,687
Miscellaneous	1,204	57	766	16	2,043
Total Revenues	\$ 4,415,252	399,185	2,534,998	75,235	7,424,670
<u>Expenses</u>					
Personnel	3,276,448	272,465	2,138,456	26,296	5,713,665
Operating	803,691	49,653	518,337	22,100	1,393,781
Purchased Equipment	123,866	5,924	80,815	953	211,558
Total Expenses	\$ 4,204,005	328,042	2,737,608	49,349	7,319,004
Excess (Deficiency) of Revenues Over Expenses	\$ 211,247	71,143	(202,610)	25,886	105,666

See accompanying notes to financial information

:SP-16b

## DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
 STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
 FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	Fiscal Year Ended June 30	
	<u>2001</u>	<u>2000</u>
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>4,593,590</u>	<u>4,120,233</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	3,698,392	3,274,375
Adult General Outpatient Services	25,965	22,227
Other Programs	<u>869,233</u>	<u>823,631</u>
Total Applied	<u>4,593,590</u>	<u>4,120,233</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-16C

## DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

## SOUTH SHORE MENTAL HEALTH CENTER, INC.

## STATE MATCHING PROGRAM

## DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS

FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

		<u>FISCAL YEAR ENDED JUNE 30</u>	
		<u>2001</u>	<u>2000</u>
<u>State Funds Allocated:</u>			
Adult General Outpatient Services	\$	121,536	123,916
Community Support, Residential and Acute Alternatives		<u>121,536</u>	<u>123,916</u>
		<u>243,072</u>	<u>247,832</u>
Matchable Revenues - Fiscal Years Ended June 30, 1999 and 1998		<u>945,713</u>	<u>765,757</u>
<u>Determination of Over (Under) Payment of State Funds:</u>			
State Funds Allocated (Note 2)		243,072	247,832
Deduct lesser of:			
(a) Applicable Percentage of Matchable Revenues		243,072	247,832
(b) State Funds Allocated		243,072	247,832
Maximum Support - Lesser of A or B (Note 3)		<u>243,072</u>	<u>247,832</u>
Over (Under) Payment of State Matching Funds	\$	<u>0</u>	<u>0</u>

See accompanying notes to financial information.

:SP-16d

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTES TO FINANCIAL INFORMATION**

**Note 1 - Significant Accounting Policies**

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

**Note 2 - State Funds Allocated - Exhibit D**

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of South Shore Mental Health Center, Inc.

**Note 3 - Maximum Support - Exhibit D**

State funds allocated are subject to the lesser of the following:

- A. 25.703% of the matchable revenue for the fiscal year ended June 30, 1999 and 32.364% of the matchable revenue for the fiscal year ended June 30, 1998.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATE MATCHING PROGRAM  
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	FISCAL YEAR ENDED JUNE 30	
	2001	2000
<u>State of Rhode Island</u>		
Adult General Outpatient Services	\$ 152,594	155,002
Community Support & Related Services	<u>573,362</u>	<u>965,919</u>
Total State Funds Allocated	725,956	1,120,921
<u>Matchable Revenues</u>		
Local Communities	1,139,277	948,726
Donations & Fund Raising (Net)	<u>22,360</u>	<u>43,650</u>
Total Matchable Revenues (For Fiscal Years Ending June 30, 2003 and 2002)	1,161,637	992,376
<u>Nonmatchable Revenues</u>		
Title XIX Program	4,593,590	4,120,233
Client Fees and Rent	108,404	111,223
Other Programs	841,857	696,409
Third Party Reimbursements	251,642	339,344
Fund Raising Expense	-	13,434
Investment Income	30,728	28,687
Miscellaneous	<u>2,363</u>	<u>2,043</u>
Total NonMatchable Revenues	<u>5,828,584</u>	<u>5,311,373</u>
Total Revenues (Exhibit A & B, Respectively)	\$ <u>7,716,177</u>	<u>7,424,670</u>

:SP-16schedule

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS

SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**FINDINGS AND RECOMMENDATIONS**

**Net Operations**

Net operating results for the Center's programs for the fiscal years ended June 30, 2001 and 2000 are summarized below:

**Revenue Excess (Deficiency) - Exhibits A and B**

<u>Program</u>	<u>2001</u>	<u>2000</u>
Community Support, Residential, and Acute Alternatives	\$ (37,471)	\$ 211,247
Substance Abuse	(52,589)	25,886
Adult General Outpatient	(26,330)	71,143
Other Programs	<u>72,172</u>	<u>(202,610)</u>
Total Revenue (Deficiency)	\$ <u>(44,218)</u>	\$ <u>105,666</u>

**Community Support, Residential, and Acute Alternatives**

The Community Support, Residential, and Acute Alternatives contract had excess revenue in the amount of \$211,247 for the fiscal year ended June 30, 2000, which is restricted, and its use determined by MHRH in subsequent years.

**Substance Abuse**

The Substance Abuse contract had excess revenue in the amount of \$25,886 for the fiscal year ended June 30, 2000, which is restricted, and its use determined by MHRH in subsequent years.

### **State Matching Program**

It was determined that there was no over or under payment of state matching funds during the period reviewed. (See Exhibit D)

Matchable Revenues were examined for fiscal years ended June 30, 2001 and 2000 and are summarized as follows:

	<u>2001</u>	<u>2000</u>
Municipal Revenues	\$ 1,139,277	\$ 948,726
Net-Contributions & Fund Raising	<u>22,360</u>	<u>43,650</u>
Total Matchable Revenues	\$ <u>1,161,637</u>	\$ <u>992,376</u>

Funds received in the fiscal years ended June 30, 2001 and 2000 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2003 and 2002.

### **Other Programs**

These amounts represent funding from sources other than MHRH-Division of Behavioral Health Services.

### **Revenue Deficiencies**

It is our understanding that each contract stands on its own and that the provider absorb any expenses in excess of the contracted amounts.

During the period under review the following Division of Behavioral Health Services contracts had revenue deficiencies:

2001 - Community Support and Related Services	\$ (37,471)
2001 - Substance Abuse	\$ (52,589)
2001 - Adult General Outpatient	\$ (26,330)

### **Affiliated Corporations**

The Center formed several nonprofit corporations which provide services adjunctive to the Center's programs. A listing of the affiliates is as follows:



Alternative Living Concepts, Inc.

This real estate holding corporation was formed to create, locate, own and manage affordable housing for chronically mentally ill persons being served by the Center. Properties currently owned by this corporation are as follows:

45 Gould Street, Wakefield, RI

25 Amos Street, Peacedale, RI

2317 Kingstown Road, South Kingstown, RI

Shore Courts, Inc.

This organization was incorporated March 9, 1999 for the purpose of developing, owning and operating apartments for persons with chronic mental illness and is funded by a HUD Section 811 Capital Advance, Thresholds and the Department of Mental Health, Retardation and Hospitals. This corporation provides an eleven (11) unit independent living residential facility for persons with chronic mental illness. This supported apartment facility is located at:

7211 Post Road  
North Kingstown, RI